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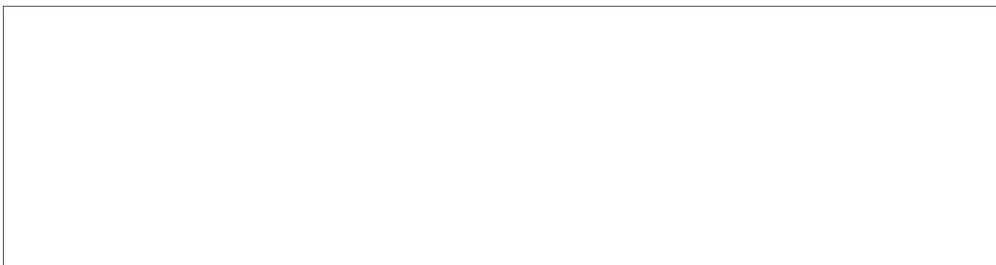
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CONTENTS

1. ISRAEL BELIEVED DETERMINED TO GO AHEAD WITH BANAT YACOV PROJECT [] (page 3).

2. SOVIET LEADERS DISCUSS DISARMAMENT AND GERMANY [] (page 4).

3. USSR REPORTEDLY OFFERS EGYPT NUCLEAR POWER STATION [] (page 6).

4. EXTENSIVE CONSTRUCTION OF AIR-RAID SHELTERS REPORTEDLY ORDERED IN FUKIEN PROVINCE [] [] (page 7).

5. IMPACT OF NEW SOVIET POLICY STATEMENTS ON INDONESIA ELITE [] (page 8).

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THE ARAB-ISRAELI SITUATION

[] (page 9)

~~SECRET~~

1. ISRAEL BELIEVED DETERMINED TO GO AHEAD WITH BANAT YACOV PROJECT

[REDACTED] Israel's present policy is to go ahead with the Banat Yacov project before the work season is lost, according to Ambassador Lawson in Tel Aviv. Foreign Minister Sharett told Lawson on 6 March that a "yes or no" answer must be given by the Arab states on acceptance of the Jordan Valley plan "in a matter of a couple of weeks."

Sharett said that it was impossible for Israel to lose another season; to do so would mean a complete end of the Israeli project to divert the Jordan River water at Banat Yacov. Sharett disagreed categorically that a resumption of the project by Israel would be contrary to the orders of the United Nations Supervisory Organization. He said General Bennike's 1953 order to halt operations was no longer valid.

Sharett expressed keen interest in what the US position would be if Israel began work after waiting in vain for a reply from the Arab states on acceptance of the Jordan Valley plan.

Comment Syrian officials have stated that if Israel resumed work on the Banat Yacov project in the demilitarized zone, it would be the beginning of war. Egyptian prime minister Nasr reportedly has told the Syrians that they should exhaust all possible peaceful measures if the Israelis resume work. Nasr has said, however, he would support the Syrians if hostilities did occur.

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2. SOVIET LEADERS DISCUSS DISARMAMENT AND GERMANY

 At a reception on 6 March, Khrushchev, Bulganin and Molotov discussed a number of controversial issues with Ambassador Bohlen in a manner that the ambassador described as the most frank, relaxed and forthcoming he had encountered in all his experience in the USSR.

The Soviet leaders all emphasized the USSR is deadly serious in regard to disarmament, and that they feel that with genuine effort some common basis for agreement can be found. Khrushchev said that what chiefly concerns him about the American "open skies" proposal is the possibility that aerial inspection alone will not lead to disarmament but will be simply abandoned when adequate photographs have been taken. He repeated the Soviet view that the plan is primarily an intelligence operation.

Khrushchev told Bohlen that the USSR is "not in a position" to make any deal on unification behind the back of the East German government. Ambassador Bohlen gained the impression that the Soviet leaders have no clear policy on the unification of Germany and now have little maneuverability on the question. Khrushchev said that the USSR has little strategic interest in "17,000,000 Germans" but that the matter of the East German government is a "political question."

Bulganin summed up the Soviet view on relations with the United States by saying, "You cannot escape Russian friendship."

Comment

The Soviet leaders' remarks provide further evidence that the Soviet delegate to the forthcoming UN Disarmament Subcommittee talks in London will simply repeat the earlier Soviet position that

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the USSR would agree to incorporate the aerial inspection plan in the final stage of a general disarmament treaty.

The Soviet leaders appear satisfied with the indefinite continuation of the division of Germany in the belief that long-term trends in West Germany will progressively weaken Bonn's ties with the West and will lead the West Germans to approach Moscow directly on the unification problem.

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3. USSR [REDACTED] OFFERS EGYPT NUCLEAR
POWER STATION

[REDACTED] [REDACTED]
[REDACTED] the Soviet government had expressed
willingness to supply Egypt with a nuclear power station
"for development of the desert and for running factories,"

[REDACTED]
[REDACTED] The Soviet government, [REDACTED]
[REDACTED], allegedly wants the Egyptian
government to make an official request for such a power
station. [REDACTED]

Comment

A Soviet offer of this nature would have
great impact on Egypt and would in-
crease Soviet prestige not only in the Arab world but in
other countries that hope for rapid industrial development.
The USSR agreed [REDACTED] to help Egypt set up a
nuclear physics laboratory in Cairo.

The Soviet Union has not yet agreed to
furnish even the European Satellites or Communist China
with a nuclear power station. It has, however, assured
the other bloc countries of technical assistance in the
eventual construction of their own nuclear power station.
(Concurred in by OSI)

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4. EXTENSIVE CONSTRUCTION OF AIR-RAID SHELTERS REPORTEDLY ORDERED IN FUKIEN PROVINCE

[REDACTED] During mid-January the "Fukien Military Zone" ordered air-raid shelters constructed at all villages along the coast of southern Fukien Province,

[REDACTED] opposite Taiwan, [REDACTED]

[REDACTED] Communist authorities are said to be expecting air clashes with Chinese Nationalist planes "in the immediate future."

[REDACTED]

Comment

The current disposition of Communist air units does not permit effective fighter operations in southern Fukien. If the Communists actually expect clashes in this area, they will probably deploy units soon to some of the newly built air bases near the coast opposite Taiwan. Warning Fukien citizens of imminent military action, however, may merely be a device to push construction of coastal military facilities and fortifications.

In view of repeated Nationalist statements that mainland targets will be attacked in the event of renewed hostilities in the Taiwan Strait, the Communists might be expected to prepare for such an eventuality.

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5. IMPACT OF NEW SOVIET POLICY STATEMENTS ON INDONESIAN ELITE



Ambassador Cumming in Djakarta is concerned over the potential impact of recent Soviet statements on the circles which form opinion and policy in

Indonesia. He cites as illustrative of a trend a conversation with an intelligent, widely traveled and anti-Communist Socialist official in which the latter stressed the importance of the olive branch the Soviets had extended to Socialists throughout the world.

Comment

The relatively poor showing of the anti-Communist parties in the Indonesian elections last fall has in itself brought a leftward reorientation in Indonesian political thinking.

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THE ARAB-ISRAELI SITUATION
(Information as of 1700, 8 March)

An Egyptian spokesman charged that an Israeli post fired on an Egyptian post in the Gaza sector. Some casualties were reported. (Press)

Syria has proclaimed a state of emergency in the areas near the Syrian-Israeli border. [redacted]

The American embassy in Tel Aviv reports that all Israeli newspapers except those of the extreme left and Communist parties are demanding some immediate response to the alleged Syrian attack on Israeli police boats on Lake Tiberias either by the Israeli government or by the United Nations.

[redacted]
[redacted] Israeli fishermen will continue their activity and that the Israeli army will take the necessary measures to defend them, [redacted]

[redacted] the Egyptian flag vessel Khedive Ismail, which sailed from Alexandria on 27 February and arrived at Latakia, Syria, on 1 March, carried military equipment. Its cargo reportedly included 24 33-ton tanks (approximately the weight of the Soviet T-34), 900 tons of ammunition, and an unknown number of heavy artillery pieces. [redacted]

The fact that shipments to Syria of major items of Soviet bloc military equipment were either already under way or to begin soon was indicated [redacted]

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~~TOP SECRET~~

the Syrians by the end of April would receive 60 tanks, 18 self-propelled guns, and 30 heavy anti-aircraft guns. [REDACTED]

[REDACTED]

British prime minister Eden has asked Jordan to relieve all remaining British Arab Legion officers of command responsibility, but Amman has asked London to reconsider its decision to recall some 15 officers who are not under contract to Jordan. London has informed the 50 British officers under contract to the Jordan government that no requests for transfer will be accepted while their future status is being considered. [REDACTED]

[REDACTED]

the meeting of Egyptian prime minister Nasr, King Saud, and President Quwatli of Syria now taking place in Egypt planned to discuss Israeli and Jordanian matters, the establishment of the Arab League army, the inclusion of Lebanon in the joint command, the granting of financial aid to Jordan, and the purchase by Jordan of Mafrak airfield, built by the British. [REDACTED]

[REDACTED]

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